

SENATE BILL REPORT

SB 5944

As Reported by Senate Committee On:
Ways & Means, February 7, 2012

Title: An act relating to revenue increases for purposes of imposing a supermajority voting requirement in the legislature.

Brief Description: Concerning revenue increases for purposes of imposing a supermajority voting requirement in the legislature.

Sponsors: Senators Murray, White, Regala, Prentice, Rockefeller, Fraser, Harper, Ranker, Conway, Nelson, Kohl-Welles, Kline and Chase.

Brief History:

Committee Activity: Ways & Means: 5/04/11, 2/07/12 [DPF, DPF].

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Initiative 601, enacted by the voters in 1993, required a two-thirds vote of both houses of the Legislature for any action that raised state taxes. Initiative 960 (I-960), enacted in 2007, restated this supermajority vote requirement for tax increases not approved by referendum to the voters. I-960 also required prior legislative approval of any new or increased state fees. In 2010 the Legislature suspended until July 1, 2011, the two-thirds vote requirement for state tax increases, but did not modify the provisions of I-960 regarding prior legislative approval of fee increases. Initiative 1053 (I-1053), adopted by the voters at the 2010 fall general election, reinstated the requirement that a two-thirds majority is required to raise taxes. I-1053 also restated that new or increased state fees must be approved by a majority vote in both houses of the Legislature.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): Upon approval of the people at the next general election, the two-thirds majority to raise taxes does not include any action or combination of actions that reduces, repeals, terminates, expires, or otherwise modifies a tax preference as defined in RCW 43.136.021 for business activities. Business activities means activities for which a person must obtain a business registration certificate under RCW 82.32.030.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE: Reorders language. Raises taxes does not include reduction, repeal, termination, or other modification of a tax preference for business activities. Business activities means activities for which a person must obtain a business registration certificate under RCW 82.32.030.

Appropriation: None.

Fiscal Note: Requested on May 2, 2011.

Committee/Commission/Task Force Created: No.

Effective Date: Upon voter approval of a referendum at the next general election.

Staff Summary of Public Testimony as Heard in Committee: PRO: This bill provides three key things: it provides voters a chance to balance revenues with expenditures; it modifies special, narrow tax preferences; and it lessens the impact to the economy of a budget which only reduces public services without addressing revenues. Eliminating tax preferences will not do harm to the economy. In contrast, there is more harm to the economy from budget reductions. When voters approved I-1053, they did not understand that a legislative supermajority to approve new taxes included closing tax loopholes. Many voters were unaware of the number of tax preferences in our tax code and were surprised to learn that these preferences cannot be modified without a supermajority. It is nonsensical that tax preferences are permanent. If tax preferences do not meet the legislative intent, they should be repealed. The current system prevents rational change. We should cut wasteful tax breaks. We should take a balanced approach to our budget and allow voters to decide this issue. We have suspended or delayed other initiatives in hard times. We cannot solve the problems we have with cuts alone. Tax breaks are spending. We should allow an open debate on the reduction of all aspects of the budget. Health and Human services have been repeatedly reduced over the last and current biennia. We should take a balanced and equitable approach to addressing tax preferences. These are responsible proposals and help us move forward. We ought to add a requirement that a net benefit to the state be calculated. Then, if the business claiming the preference failed to meet the net benefit, the state could recover the value of the tax preference. If the taxpayer does not deliver on its promise, then there should be no benefit to the taxpayer. We all need to share and contribute to the cuts so that there are no disproportionate effects. This would lead to a more moral budget. Glasses and hearing aids for some make independent living possible. Do we want to be a country who helps all people or just those whose businesses depend on tax breaks? Reduction in hours of care impacts our citizens – both those receiving services and those employed as caregivers. We have to find the money somewhere for our seniors and disabled. Schools do not have safe transportation for sports any longer. The loss of money is affecting student learning. Students need structural support to succeed. Please help students succeed by supporting this measure. Unions have worked hard to represent employees during difficult economic times. There is a disconnect between dreams of the student and the funding needed to achieve those dreams. Low-income and first generation students are struggling to get access to a higher education. This bill allows us to gain access to a source of revenue by closing tax loopholes. The burden should be balanced by closing some of the tax preferences provided to taxpayers. Tax breaks are a form of spending, and it should be the same process

to reduce tax breaks as it is to reduce the budget. Let the people decide through a referendum.

CON: This makes it easier to raise taxes. Voters have been clear and have approved several limitations on legislative approval of tax increases. Voters are not stupid. They have said no to taxes on some or all. This would create a massive loophole in I-1053. History does not show that the Legislature can use taxing authority wisely. Last year, the Legislature approved increased taxes on consumer goods. Voters will not be happy with this proposal. Retailers are hurting from this recession and are making sacrifices. We recently received a windfall from the tax amnesty program. This is not the time to increase taxes. Washington has more than 500 tax exemptions to create or retain jobs in Washington State and were approved by both chambers and by the Governor. The uncertain economy is a bad time to consider removing exemptions. We need jobs. Tax exemptions work. Article 1, s. 1 provides that all political power is inherent in the people. Taking away exemptions from anyone is a tax increase. The Legislature can increase taxes under I-1053; but the voters have spoken. Changing the game on businesses is not fair to them. All government revenue comes from taxpayers. There are no tax giveaways. The government needs to live within the existing revenues. Voters like I-1053, and voting on initiatives makes voters feel like they have an impact. We want you to hold to a budget. A lot of citizens have sacrificed. If you want revenues to be generated to support these services, do not impose new taxes. The community should help support one another. Please be responsible.

Persons Testifying: PRO: Andy Nicholas, WA State Budget and Policy Center; Diana Thompson, Ingrid McDonald, AARP; Nick Federici, Protecting our Economic Future Coalition; Hannah Lidman, League of Education Supporters; Laurie Lippold, Children's Home Society; Ramona Hattendorf, WA State Parent Teacher Assn.; Senator Chase; Emily Rogers, Self Advocates in Leadership; Shawn Lathram, WA State Developmental Disability Council; Pamela McLarty, Nicki Johnsson, Donna Obermeyer, Eric Wisenborn, Jim Lehman, SEIU; Donna Obermeyer, Isabell Johnsson, citizens; Mike Bogetay, WA Student Assn.; Sam Marrow, Friends Committee on WA Public Policy.

CON: Tim Eyman, I-1053; Mark Johnson, WA Retail Assn.; Scott Dilley, WA Farm Bureau; Gary Chandler, Assn. of WA Business; Pat Tarzwell, Linda Webb, Sandy Tarzwell, citizens; Terry Schrader, Tea Party.